



Abstract:

A particular division of an internationally recognised provider of outsourced administrative services usually only offers strongly standardised and simple processes. In a slight deviation from their norm they accepted one client with slightly more sophisticated processes. At one point about two years into the relationship things started to go terribly wrong. When the client complained, the response they received referred to the provider's allegedly first class quality assurance practices and suggests that it therefore couldn't have been their fault. Understandably, the client is outraged.

Background

An international provider offers a range of outsourced administrative services. One of their divisions is using (even for the industry) a highly standardised process for travel management and the processing of travel expenses. They also provide the IT platform where clients' employees can enter their expenses from where they are then processed by the provider's team. The same IT platform is used by a number of different clients.

The provider's management and sales team pride themselves of having a first class Quality Assurance in place certified according to Sarbanes Oxley and various other standards.

With one of their clients (client X) the initial transformation did not go well at all, because they required a slightly more sophisticated process and the transformation project did not allow enough time for the provider to understand and accommodate this new approach. Nevertheless, it eventually worked out and the process ran smoothly for some time.

The Issue

When the provider switched to a new version of their IT platform, things started to go wrong. For two months the travel expense process of client X was severely disrupted, resulting in many employees being dissatisfied with the service.

When the client complained, a senior manager of the provider sent a reply which could only be interpreted as arrogant and ignorant of the client's situation. The core message went along these lines: Whilst they regret any inconvenience caused to the client, they have a first class Quality Assurance which guarantees a service with no or minimal disruption. The reason for the problems therefore lay in the client's process. For the client this read: *"It's your fault!"*

Can this be true, at least to some extent?

Analysis: The Provider

Obviously the provider knew the client's process when they agreed to provide the service. They had learned in the transformation project that their existing capabilities were not up to the challenge. This should have been a warning for them to build the capabilities required and adapt their processes – a good opportunity to learn anyway, as the client's process was not exceptional.

Alternatively they could have decided that the client did not fit into their portfolio and found a solution together with the client. This could have meant finishing the contract and paying some of the transformation cost back to the client. Or they could have run the service for this client as a "stranger" in their portfolio for the duration of the contract, probably at a loss, paying extra attention and performing more tasks manually and individually than usual.

Of course, the best solution would have been not to sign a contract for a service they obviously couldn't and had no intention of delivering. Once the process had been made clear

and the provider accepted it, the client should be able to rely on them as the experts and expect to receive an appropriate service.

Interestingly, the provider's management seriously seems to believe that being SOx certified proves they are right and that any issues will be primarily the fault of the client. This culture is bound to get them into trouble as competition intensifies.

Analysis: The Client

Selecting a provider based solely upon service levels and price is a big risk, particularly in an industry like the outsourced services industry, in which there are so many immature players.

Provider selection is a difficult endeavour and is not to be taken lightly. The technical setup and the problems encountered during the migration project should have indicated that this provider may lack the flexibility required, and the client should have gathered more information instead of deciding purely based on price. So, while the provider should definitely try to work more closely with its clients to resolve issues, the client could have avoided the issue by being more rigorous during provider selection.

Some points to consider for the selection are:

- Understanding of the process that the provider shows in early discussions
- Cultural fit between the two organisations
- The capabilities of the provider's transformation and operations teams
- The existence of reference customers with similar processes
- The availability and type of contact persons (call centre or dedicated contact persons)
- The flexibility of the provider as indicated by the technical setup

For the transformation project, it is important to consider that the core competence of service providers needs to be in operations with high levels of stability and standardisation. Project management as well as change management require a completely different skill set. Therefore they should never be left completely to the provider. Outsourcing projects require strong project management from the client's side.